



## The Effect of Work Motivation and Compensation on Employee Performance

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### **Abstract**

Employee performance is an important factor of a company, employee performance within the company is influenced by various factors such as work motivation and compensation. Then the purpose of this research is to determine the effect of work motivation and compensation on employee performance. The research methodology is ex-post facto with a quantitative approach. Respondents in this research were 71 employees taken by the total sampling technique. Methods of data analysis in research using multiple regression. The results of the research are as follows: 1). Work motivation has a positive and significant effect on employee performance, 2). Compensation has a positive and significant effect on employee performance, 3). Work motivation and compensation together affect employee performance by 33.7% and by 66.3% influenced by variables outside this research.

**Keywords:** *Work Motivation; Compensation; Employee Performance*

**JEL Classifications:** *G2, J3, O2, M2*

### **1. Introduction**

Employee performance is an important element that must be had to improve a company's performance. Employee performance needed by the company is certainly good employee performance and achievement for the benefit of a company. Because employees with their duties are planning, implementing and moving various jobs in the company (Ardana et al, 2012).

Employee performance is influenced by various factors such as work motivation and compensation. It is known that employee performance is influenced positively and significantly by work motivation (Shahzadi et al, 2014). Jannah et al (2017) research found that work motivation has a relationship to employee performance. Work motivation also has a significant effect on performance (Ikhsan et al, 2019), while Efendi et al (2020) research found that work motivation has a positive and significant effect on employee performance.

The performance of employees affected by compensation has a positive and significant influence (Fidiyanto et al, 2018). Research conducted by Sholihin, (2019) found that compensation has a positive and significant effect on employee performance. Research conducted by Rifa'i et al (2020) shows that

compensation has a positive and significant effect on employee performance. Different things are found in research Riyadi (2011) that compensation does not affect employee performance.

With the increase in employee performance in dining, the company will be able to improve the performance of the company itself, so that in the end it can contribute to the income of the company, employees, and a greater effect can provide income for the country and is useful for overcoming the problem of community or employee poverty (Efendi et al, 2019). Based on the phenomenon and various results of the research it can be seen that work motivation and compensation have a relationship to employee performance. The purpose of this research was to determine the effect of work motivation and compensation on employee performance. so that in the future can contribute to decision making in a company for the achievement of common goals both employees and companies.

### **Work Motivation**

Motivation is a thought process that drives behavior towards the achievement of goals (Kreitner et al, 2001). According to Mathis and Jackson (2006), motivation is the desire in an individual who must move and achieve goals. Motivation is preparation for someone to carry out an activity for the achievement of objectives (Safitri, 2018). Motivation is also interpreted to mean a stimulus driving force that creates work enthusiasm, group work, effective and integrated to achieve work dreams (Sholihin, 2019). Meanwhile, according to Efendi et al, (2020), work motivation is an encouragement from the company to improve performance and meet the needs of an employee.

Work motivation has several indicators, according to Ivancevich et al (2014) motivational indicators are as follows: 1). Psychological need, 2). Safety need, 3). Social need, 4). Esteem need, 5). Need for self-actualization. In this research the indicators of Ivancevich et al (2014) which includes: Psychological need, Safety need, Social need, Esteem needs and Need for self-actualization.

### **Compensation**

Compensation is a condition where wages are in accordance with the reality of compensation received by employees (Mobley, 1982). Compensation also comes from two kinds: internal and external (Robbins, 1997). According to Mardiyanti et al (2018) compensation is all that is received by employees and forms of financial or non-financial. Meanwhile, according to Efendi et al (2020) compensation is all kinds of things received by employees from the organization in the form of direct financial compensation, indirect financial, and non-financial.

Compensation has several indicators, according to Mondy et al (1993) indicators of compensation are as follows: 1). Financial compensation, 2). Non-financial compensation. Meanwhile, according to Dessler (2000) compensation indicators consist of three, namely: 1). Direct financial compensation, 2). Indirect financial compensation, 3). Non-financial compensation. In this research using Dessler (2000) which includes direct financial compensation, indirect financial compensation, non-financial compensation.

### **Employee Performance**

Performance is a result of work from the actions of a person or individual in a job (Armstrong, 1999: 95). Performance is an action taken or not done by employees on a job (Mathis and Jackson, 2006). According to Mardiyanti et al (2018) performance is part of the work that is related to quality and strength in carrying out work. According to Efendi (2020) performance is a result of the implementation of tasks and job responsibilities that have been given by the organization.

Performance has several indicators, according to Rivai and Basri (2005) according to performance indicators there are five indicators, namely: 1). Work Quantity, 2). Quality of Work, 3). Timeliness, 4). Effectiveness, 5). Reliability. Performance indicators according to Mathis and Jackson (2006) performance is measured based on quantity, quality, timeliness, attendance, and cooperation. In research using indicators from Mathis and Jackson (2006) and Bangun (2012), namely quality, quantity, timeliness, attendance, and cooperation.

## 2. Research Framework and Hypothesis

### The Effect of Work Motivation on Employee Performance

Research conducted by Shahzadi et al (2014) found that work motivation has a positive and significant effect on employee performance. The results of the research by Zameer et al (2014) found work motivation has a positive and significant effect on employee performance. The results of the same research conducted by Jannah et al (2017), Antaka, (2018), Ikhsan et al (2019), and Efendi et al (2020) where work motivation has a positive and significant effect on employee performance. While research Adeoye (2019) found that work motivation has a weak and insignificant influence on employee performance.

H<sub>1</sub>: work motivation has a positive and significant effect on employee performance.

### The Effect of Compensation on Employee Performance

Research conducted by Frye (2004) found that compensation has a positive and significant effect on employee performance. Research conducted by Fidiyanto et al (2018) found compensation had a positive and significant effect on employee performance. The same thing was shown by research conducted by Idris et al (2017), Mardiyanti et al (2018), Fitriani (2018), Sholihin (2019), Rifa'i et al (2020), and Efendi et al (2020) where compensation has a positive and significant effect on employee performance. While research by Gohari et al (2013) found that compensation has a positive and not significant effect on employee performance.

H<sub>2</sub>: compensation has a positive and significant effect on employee performance.

Based on various theoretical explanations, research findings, and the development of hypotheses regarding the effect of work motivation and compensation on employee performance. Then the research framework in (Figure 1) is as follows:

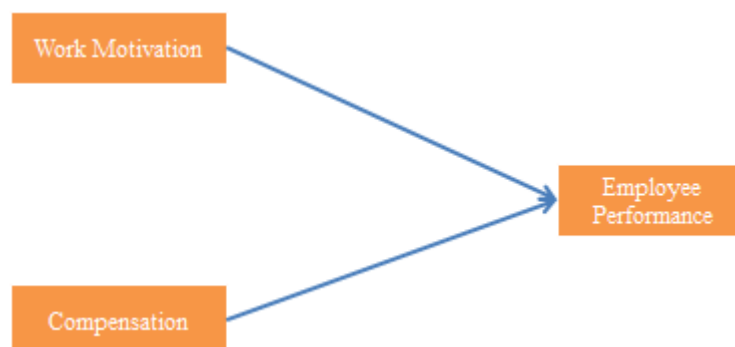


Figure 1. Research Framework

### 3. Methodology

This research uses the type of *ex-post facto* research with a quantitative approach. According to Sugiyono (2015), *ex-post facto* is a research conducted to examine events that have occurred and then trace back to find out the factors that can cause the occurrence of these events. While the quantitative approach is data in the form of numbers or qualitative data that has been leveraged (Sugiyono, 2015). The data analysis method in this research uses multiple regression. The population in this research was 71 UMKM Batik employees in the Keraton sub-district of Yogyakarta City. the sampling technique that is by total sampling, so that all employees whose numbers are below 100 employees are taken all (Arikunto, 2010: 112).

### 4. Findings

Table 1 below is the result of multiple regression analysis of research data, with the results of the research as follows:

**Table 1. Results of Regression Analysis**

Variable	Koef. Regression (B)	T Statistic	Sig.
Work Motivation	0.519	5.375	0.000
Compensation	0.634	4.287	0.000
Constant	21.053		
R	0.580		
R <sup>2</sup>	0.337		
F Statistic	17.269		
Sig	0.000		

Source: Primary data processed

#### The Effect of Work Motivation on Employee Performance

Based on the results of the regression analysis, it is known that work motivation has an influence on employee performance, indicated by the regression coefficient of 0.519. At a significance level of 5%, it is known that the t value is 5,375 with a significance of 0,000. With this result, the first hypothesis can be accepted that work motivation has a positive and significant effect on employee performance.

#### The Effect of Compensation on Employee Performance

Based on the results of the regression analysis, it is known that compensation has an influence on employee performance, indicated by the regression coefficient value of 0.634. At a significance level of 5%, it is known that the t value of 4.287 with a significance of 0.000. With this result, the second hypothesis can be accepted that compensation has a positive and significant effect on employee performance.

### **R Square Determination Coefficient ( $R^2$ )**

The coefficient of determination of R Square is used to indicate how much percentage of work motivation and compensation variables together in influencing employee performance variables. The results of multiple regression analysis indicate that the coefficient of determination  $R^2$  has a value of 0.337 or it can be said that 33.7% of employee performance is influenced by variables of work motivation and compensation. While the remaining 66.3% is influenced by other variables not included in this research.

## **5. Discussion**

### **The Effect of Work Motivation on Employee Performance**

Based on the results of research that has been analyzed there is a positive and significant effect between work motivation on employee performance. This is indicated by the regression coefficient value of 0.519. At a significance level of 5%, it is known that the t value is 5,375 with a significance of 0,000. It can be concluded that the higher the work motivation, the higher the employee performance. Conversely the lower the work motivation, the lower the employee's performance.

The results of this research supported the findings of Shahzadi et al (2014) that work motivation has a positive and significant effect on employee performance. research conducted by Zameer et al (2014) found that work motivation has a positive and significant effect on employee performance. The same research results were also found by Jannah et al (2017), Antaka, (2018), Ikhsan et al (2019), and Efendi et al (2020) where work motivation has a positive and significant effect on employee performance. While different results are shown by Adeoye research (2019) where work motivation has a weak and not significant effect on employee performance.

### **The Effect of Compensation on Employee Performance**

Based on the results of research that has been analyzed there is a positive and significant effect between compensation on employee performance. This is indicated by the regression coefficient value of 0.634. At a significance level of 5%, it is known that the t value of 4.287 with a significance of 0.000. It can be concluded that the higher the compensation the higher the employee's performance. Conversely the lower the compensation, the lower the employee's performance.

The results of this research supported the findings of Frye (2004) who found compensation had a positive and significant effect on employee performance. research conducted by Fidiyanto et al (2018) found the same thing where compensation has a positive and significant effect on employee performance. The same thing was found by Idris et al (2017), Mardiyanti et al (2018), Fitriani (2018), Sholihin (2019), Rifa'i et al (2020), and Efendi et al (2020) where compensation had an influence positive and significant impact on employee performance. While the different results are shown by the research of Gohari et al (2013) who found that compensation has a positive and not significant effect on employee performance

### **R Square Determination Coefficient ( $R^2$ )**

The results of this research indicate a significant and positive fact between work motivation and compensation for employee performance. This answers with the results of the test results with the F test that obtained the calculated F value of 17,269 with a significance value of F of 0,000 or  $F < 0.05$ . The R Square determination coefficient is used to show a large number of work variables and compensation together in influencing employee performance variables. The results of multiple regression analyses

indicate that the coefficient of determination  $R^2$  has a value of 0.337 or can be given 33.7% work motivation and increase employee efficiency. While the remaining 66.3% was approved by other variables not included in this research.

### **Conclusion**

Based on the results and discussion in research, we can conclude that; 1). Work motivation has a positive and significant effect on employee performance, 2). Compensation has a positive and significant effect on employee performance, 3). Work motivation and compensation together affect employee performance by 33.7% and by 66.3% influenced by variables outside this research. Together with the limitations of this research, it can be a reference material for future research in the future.

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